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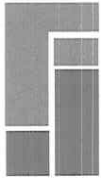
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**HUMAN RESOURCES COUNCIL, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
WITH SINGLE AUDIT**

JUNE 30, 2008

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Human Resources Council, Inc.
San Andreas, California

We have audited the accompanying statement of financial position of Human Resources Council, Inc. (California Non-profit Corporation) as of June 30, 2008 and the related statements of activities, functional expenses, and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Resources Council, Inc. as of June 30, 2008 and the changes in its net assets and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008 on our consideration of Human Resources Council, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Human Resources Council, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Fitzgerald Johnson, LLP
Certified Public Accountants

October 27, 2008

HUMAN RESOURCES COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
YEAR ENDED JUNE 30, 2008

ASSETS

Cash and cash equivalents	\$	513,494	
Short term investments		1,500,000	
Accounts receivable:			
Grantor		947,246	
Other		5,430	
Prepaid expense		174,879	
Property and equipment, net		<u>2,463,547</u>	
Total Assets			<u>\$ 5,604,596</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Line of credit	\$	150,000	
Accounts payable and accrued expenses		807,593	
Due to grantors		15,110	
Deferred revenue		242,198	
California Department of Education reserve		4,498	
Long-term debt		<u>165,387</u>	
Total liabilities			\$ 1,384,786

NET ASSETS

Temporarily restricted		1,837,548	
Unrestricted		<u>2,382,262</u>	
Total net assets			<u>4,219,810</u>
Total Liabilities and Net Assets			<u>\$ 5,604,596</u>

HUMAN RESOURCES COUNCIL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

CHANGES IN UNRESTRICTED NET ASSETS

REVENUE AND SUPPORT		
Government contract revenues	\$ 8,122,081	
Parent fees	74,136	
Contributions	111,388	
Interest income	110,142	
Other income	<u>259,732</u>	
Total Unrestricted Support and Revenue		\$ 8,677,479
Net Assets Released From Restriction		<u>720,165</u>
Total Benefits and Revenues		9,397,644

EXPENSES

Alternative Payment Program	2,717,404	
Resource and Referral Program	998,623	
Center-based Program	3,140,033	
Calaveras Crisis Center	866,476	
Community Services Program	315,948	
Women, Infants and Children Program	329,442	
Our Children, Our Community Initiative	2,902	
General Unrestricted Program	<u>280,754</u>	
Total Expenses		<u>8,651,582</u>

INCREASE IN UNRESTRICTED NET ASSETS 746,062

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

REVENUE AND SUPPORT	
Capital campaign contributions	<u>1,200</u>
Total Restricted Revenue and Support	1,200

Net Assets released from restrictions	
Restriction satisfied by construction costs	(684,165)
Restriction satisfied by payment of consulting expenses	<u>(36,000)</u>
Net assets released from restrictions	<u>(720,165)</u>

DECREASE IN TEMPORARILY RESTRICTED NET ASSETS (718,965)
TOTAL CHANGE IN NET ASSETS 27,097

NET ASSETS, Beginning of year 4,192,713
NET ASSETS, End of year \$ 4,219,810

HUMAN RESOURCES COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008

	Program Services	General & Administrative	Fundraising and Other	Total
Personnel				
Salaries	\$ 3,092,263	\$ 259,997	\$ 25,317	\$ 3,377,577
Payroll taxes	291,282	22,731	2,137	316,150
Employee benefits	660,088	39,936	4,015	704,039
Total Personnel	<u>4,043,633</u>	<u>322,664</u>	<u>31,469</u>	<u>4,397,766</u>
Other				
Childcare payments	2,150,978	-	-	2,150,978
Personal services	313,624	149,565	65,790	528,979
Advertising	50,517	1,188	325	52,030
Office supplies and printing	78,008	16,994	35	95,037
Postage	21,847	3,828	165	25,840
Occupancy				
Rent	248,709	22,356	-	271,065
Utilities	144,252	9,185	123	153,560
Repairs	40,856	-	67	40,923
Food	174,466	279	-	174,745
Other supplies	108,960	60	-	109,020
Dues and memberships	29,018	3,747	-	32,765
Vehicle insurance and maintenance	53,840	350	-	54,190
Travel and conferences	106,238	5,982	46	112,266
Staff development and training	20,234	5,383	4,855	30,472
Asset acquisitions	3,947	-	-	3,947
Depreciation	7,666	158,427	-	166,093
Other expenses	<u>223,980</u>	<u>13,174</u>	<u>14,752</u>	<u>251,906</u>
Total Other	3,777,140	390,518	86,158	4,253,816
Total Expenses	<u>\$ 7,820,773</u>	<u>\$ 713,182</u>	<u>\$ 117,627</u>	<u>\$ 8,651,582</u>

HUMAN RESOURCES COUNCIL, INC.
STATEMENT OF CASH FLOW
YEAR ENDED JUNE 30, 2008

CASH FLOW FROM (USED BY) OPERATING ACTIVITIES		
Change in net assets		\$ 27,097
Adjustments to reconcile net revenue and support to cash provided by operating activities:		
Depreciation	\$ 166,093	
Changes in assets and liabilities:		
Short term investments	696,848	
Grants receivable	63,687	
Other receivables	1,869	
Prepaid expenses	(74,150)	
Accounts payable and accrued expenses	(60,921)	
Due to grantors	(3,731)	
California Department of Education reserve	542	
Deferred revenue	83,785	
Total adjustments		<u>874,022</u>
Net cash from (used by) operating activities		901,119
CASH FLOW FROM (USED BY) INVESTING ACTIVITIES		
Purchase of equipment	(148,022)	
Purchase of buildings and improvements	(74,756)	
Construction in progress	(684,165)	
Net cash used by investing activities		<u>(906,943)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Advances on line of credit	150,000	
Purchase of equipment	27,769	
Payments on long-term debt	(7,682)	
Net cash used in financing activities		<u>170,087</u>
CHANGE IN CASH AND CASH EQUIVALENTS		164,263
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>349,231</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		<u>\$ 513,494</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid		<u>\$ 17,246</u>

Note 1 – Summary of Significant Accounting Policies

Nature of Activities – Human Resources Council, Inc (HRC) has served families, children and individuals by providing exceptional community-based programs and education in Calaveras and Amador Counties since 1981. HRC, a private, nonprofit human services agency, provides safety-net food and emergency services and education as well as ongoing child care, information and referral service to victims of domestic violence, and child and parent services to the central Sierra Foothill communities. As the second largest non-county employer in Calaveras County, HRC receives its funding from diversified funding sources to support its six major programs including:

- HRC Calaveras Head Start/State Preschool
- HRC Calaveras Crisis Center (CCC)
- HRC Child Care Resources (CCR)
- HRC Community Services Programs (CSP)
- HRC Mother Lode Women, Infants & Children (WIC)

Basis of Accounting – The financial statements of HRC are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HRC and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted – Nets assets subject to donor-imposed stipulations that may or will be met, either by actions of HRC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There was \$1,837,548 of temporarily restricted net assets at June 30, 2008.

Permanently Restricted – Unconditional promises to give by a donor that specified that the assets donated be invested to provide a permanent source of income. If the donor does not restrict the allowed use of the income, the organization may determine the income's availability to the organization's operation. At June 30, 2008, HRC had no permanently restricted net assets.

Support and Revenue – The California State Department of Education, Department of Health Services/Maternal and Child Health Branch, Office of Criminal Justice Planning, U.S. Department of Health and Human Services and various other federal, state, county and private agencies and foundations fund the programs of HRC. Support received from these contracts is recognized on a "net funded" basis. Related expenses incurred are "netted" by client fees, interest income and other income in determining contract funds to be recognized. Client fees, interest income and other income are recognized when earned. Parent fees represent the portion of child care expenses that are to be paid by parents who do not qualify for the full subsidy. The parents pay HRC directly for their portion of the child care expenses.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposed are reported as temporarily restricted or permanently restricted support that increases those net assets classes (to date, no amounts have been permanently restricted). When a temporary restriction expires, temporarily restricted net assets

are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-Kind Contributions – Under Financial Accounting Standard No. 116 (SFAS 116), “Accounting for Contributions Received and Contributions Made,” contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Accordingly, \$71,967 of contributed goods and services clearly meet this definition and are recorded in the Statement of Activities. For the year ended June 30, 2008, the total donated services and materials to various programs included approximately 47,125 hours of services provided by volunteers that do not meet the criteria specified by SFAS 116 and are, therefore, not reflected in the statements of activities. Such amounts totaled \$840,626 in 2008 and are broken down by the following programs:

Center based program	<u>\$ 840,626</u>
	<u>\$ 840,626</u>

Accounts Receivable – Accounts receivable consist mainly of unconditional grants receivable that are expected to be collected within one year and are recorded at net realizable value. Management periodically evaluates the need for an allowance. No allowance for doubtful accounts has been recorded, as management believes all receivables are fully collectible.

Capital Expenditures – As required by OMB Circular A-122, Attachment B, Section 15(a), capital expenditures for general purpose equipment, buildings, and land are unallowable as direct program charges, except where approved in advance by the awarding agency. As required by OES Recipient Handbook Section 2244 Real Property and Improvements, real property, including land, land improvements, structures and their attachments, and structural improvements and alterations are not allowable expenditures unless specifically authorized in the terms of the program.

Property and Equipment – Property and equipment with a cost of \$500 or more and an estimated useful life in excess of one year are capitalized at cost; donated assets are capitalized at fair value at the date of receipt. Depreciation is computed using the straight-line method with estimated useful lives varying between five and thirty years. The substantial portion of depreciation relates to assets acquired by purchase.

Depreciation expense for the year ended June 30, 2008 was \$166,093.

Deferred Revenue – Deferred revenue consists of parent fees and contract funds to be earned in future periods on continuing contracts.

Compensated Absences – HRC recognizes unpaid employee vacation benefits as liabilities. Total unpaid vacation benefits at June 30, 2008 amounted to \$136,869 and is included in accounts payable and accrued expenses. Accumulated but unpaid sick leave is not accrued because employees do not vest in the benefits. Sick leave is recognized as a period expense in the period earned.

Income Taxes – HRC was incorporated as a non-profit organization under the laws of California. It has been granted tax exempt status as a public charity by the Internal Revenue Service under Section 501(c)(3) and by California Franchise Tax Board under section 23701(d).

Statement of Cash Flows – For purposes of the statement of cash flows, HRC considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 – Property and Equipment

At June 30, 2008, property and equipment consisted of the following:

	Furniture & Equipment	Land & Buildings	Total
Assets:			
Balance, beginning of year	\$1,223,437	\$1,745,100	\$2,968,537
Additions	<u>148,022</u>	<u>758,921</u>	<u>906,943</u>
Balance, end of year	<u>\$1,371,459</u>	<u>\$2,504,021</u>	<u>\$3,875,480</u>
Accumulated Depreciation:			
Balance, beginning of year	\$ 848,845	\$ 396,995	\$1,245,840
Depreciation expense	<u>110,122</u>	<u>55,971</u>	<u>166,093</u>
Balance, end of year	<u>\$ 958,967</u>	<u>\$ 452,966</u>	<u>\$1,411,933</u>
Net fixed asset balance, end of year	<u>\$ 412,492</u>	<u>\$2,051,055</u>	<u>\$2,463,547</u>

Land & Buildings includes non-depreciated land of \$724,971 and construction in progress of a new campus of \$808,171.

Of the assets held, approximately \$1,371,394 has been purchased with federal or state funding and is subject to reversion. Detail of current year additions by program is as follows:

Center-Based Program	\$ 111,682
Child Care Resources Program - Alternative Payment	28,354
Child Care Resources Program - Resource & Referral	19,834
Calaveras Crisis Center Program	20,587
Women, Infants, and Children Program	13,867
Community Services Program	0
General Fund	<u>685</u>
Total additions	<u>\$ 195,009</u>

Note 3 – Contingencies

HRC receives state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any reimbursement resulting from disallowance will not be material.

A substantial amount of HRC support is received from federal, state and local governments. Loss of this support would have a significant impact on HRC's ability to provide its program services.

Note 4 – Program Cost Allocation of Expenses

HRC allocates all costs based on a method which best represents the benefits received and/or costs expensed. Accordingly, HRC uses several standard methods of expense allocation:

Direct Cost Pool

Direct Charge-Not a shared cost. All actual costs are directly identified with and charged to the program.

Staff Time- Shared cost. Actual costs are allocated to each program based upon the total actual staff time spent on each program.

Square Footage- Shared cost. Actual costs are allocated based upon the percentage of total actual square footage used by each program.

Number Served- Shared cost. Actual costs are allocated to each program based upon the percentage of total actual children served by the program.

Shared costs for the Alternative Payment Program, Head Start and State Preschool Programs are allocated using the "Numbers Served" method of allocation. The total number of children by program type are collected at the beginning of each month and each programs' percentage of the whole are determined. These percentages are then used to allocate the month's shared expenditures such as salaries, shared supplies, and other operating expenses.

Shared costs for all other programs are allocated using the "Staff Time" method of allocation.

Note 5 – Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

HRC maintains its cash balances in financial institutions located in Angels Camp and Stockton, California. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000 and \$250,000 as of October 3, 2008. While HRC maintains cash in banks and financial institutions in amounts which at times, exceed these federally insured limits, HRC has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash.

Note 6 – Line of Credit

HRC has obtained a line of credit in the amount of \$1,000,000 from Bank of Stockton. The line carries an interest rate of 1.000 percent point over the Western Wall Street Journal Prime Rate (5.00% at June 30, 2008) and expires in November, 2008. At June 30, 2008, there was \$150,000 outstanding.

Note 7 – Note Payable

Variable interest rate note payable to Bank of Stockton dated April 25, 2005, monthly payments of \$1,271 including interest at an initial rate of 7.250 percent for sixty months then 179 consecutive principal and interest payments beginning June 10, 2010 with interest based on Wall Street Journal Prime plus 1.500 percent to adjust annually. Secured by deed of trust and assignment of rents on the property.

Total Debt	\$ 141,295
Less current portion	<u>4,790</u>
Long-term debt	<u>\$ 136,505</u>

Maturities of long-term debt for each of the next five years and in aggregate are as follows:

<u>Year Ending June 30,</u>	
2009	\$ 4,790
2010	5,149
2011	5,535
2012	5,950
2013	6,396
Thereafter	<u>113,475</u>
	<u>\$ 141,295</u>

Interest on loans is an unallowable expenditure with federal or state grant funds.

Note 8 – Lease Commitments

Real Estate – The total rental expense incurred by HRC for facilities during the year ended June 30, 2008, was \$271,065. The total expense was allocated as follows:

Alternative Payment Program	\$ 24,337
Resource and Referral Program	31,343
Head Start and Other Center-based Programs	163,042
Calaveras Crisis Center	268
Community Services Program	11,852
Women, Infants and Children Program	17,820
General Fund	<u>22,403</u>
	<u>\$ 271,065</u>

During the fiscal year ended June 30, 2008, HRC leased property with expiration dates from June 2009 to December 2013.

Lease commitments under the rental agreements are as follows:

<u>Year Ending June 30,</u>	
2009	\$ 255,006
2010	188,916
2011	170,476
2012	159,276
2013	106,045
Thereafter	<u>36,720</u>
	<u>\$ 916,439</u>

Of this amount, \$19,080 is subject to a contingency that HRC continues to be funded by state and federal agencies. In the event funding is no longer available, the leases may be terminated.

In addition to the above property leases, HRC leased equipment under six leases with expiration dates from 2008 to 2012.

Lease commitments under the rental agreements are as follows:

<u>Year Ending June 30,</u>	
2009	\$ 11,288
2010	9,396
2011	7,651
2012	6,024
2013	<u>5,598</u>
	<u>\$ 39,957</u>

HRC leased a modular building on a capital lease with expiration date in December 2011. The total amount capitalized was \$27,769. Depreciation expense of \$2,777 was included in the \$166,093 of depreciation reported on the Statement of Functional Expenses.

Lease commitments under the capital lease agreement are as follows:

<u>Year Ending June 30,</u>	
2009	\$ 9,900
2010	9,900
2011	9,900
2012	<u>3,300</u>
	33,000
Less amount representing interest	<u>8,908</u>
Present value of lease payments	<u>\$ 24,092</u>

Note 9 – Reserve Fund

Child development contractors with the California Department of Education (CDE) are allowed to maintain a reserve account from earned but unexpended child development contract funds. The funds can be expended only by direct service child development programs that are funded under contract with the CDE. In accordance with the stipulations of the Education Code, HRC maintains its reserve accounts in interest-bearing funds, and all interest earned is recorded in the appropriate reserve funds. Upon termination of all child development contracts between HRC and the CDE, reserve fund balances must be returned the CDE.

Transfers from a reserve account are considered restricted income for child development programs, but may be applied to any of the contracts that are eligible to contribute to that particular program type. The balances at June 30, 2008 in the Alternative Payment, Resource and Referral, and Center-Based programs were \$380 \$4, and \$4,115, respectively.

Note 10 - Investments

Investments consist of a Certificates of Deposit which are carried at cost which approximates market value. Investments at June 30, 2008 were comprised of the following:

	<u>Carrying Value</u>
Certificates of Deposit	<u>1,500,000</u>
Total investments	<u>\$ 1,500,000</u>

Investment return is summarized as follows:

Interest earned on investments	<u>\$ 105,554</u>
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SUPPLEMENTAL INFORMATION

HUMAN RESOURCES COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program</u>		<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal:				
Department of Health Services				
Women, Infants, and Children Supplemental Nutrition Program	*	10.557	05-45760	\$ <u>342,705</u>
<u>Passed through State of California:</u>				
Child Care Food Program - Early Headstart Preschool/ Headstart/State Preschool		10.558	06-1159-OJ	\$ <u>145,706</u>
TOTAL, CFDA #10.558				\$ <u>145,706</u>
Department of Health and Human Services:				
Early Head Start T/TA	*	93.600	09CH0031/22 24	\$ 30,507
Early Head Start	*	93.600	09CH0031/22 24	1,158,007
Head Start T/TA	*	93.600	09CH0031/22 24	25,665
Head Start	*	93.600	09CH0031/22 24	<u>1,352,916</u>
TOTAL, CFDA #93.600				\$ <u>2,567,095</u>
<u>Passed through State of California:</u>				
Alternative Payment				
Child Care & Development Block Grant				
Child Care & Development Fund, Stage 3	*	93.575	C3AP-7008	\$ 162,540
CalWORKs Stage 2				
Child Care & Development Fund	*	93.575	C2AP-7008	69,192
Child Care Mandatory and Matching Funds of the Child Care & Development Fund	* 93.575/93.596		CAPP-7009	711,186

* denotes major program

HUMAN RESOURCES COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program</u>		<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Passed through State of California (continued):</u>				
Centralized Eligibility List	*	93.575	CCEL-7002	\$ 11,608
Centralized Eligibility List	*	93.575	CCEL-7003	15,061
Resource and Referral				
Resource & Referral	*	93.575	CRRP-7005	23,263
Resource & Referral	*	93.575	CRRP-7006	23,264
Infant Toddler Resource	*	93.575	CCAP-7033	2,195
Continuing Special Needs Training	*	93.575	CICD-5004	1,684
Continuing Special Needs Training	*	93.575	CICD-5005	695
Health & Safety	*	93.575	CHST-7004	1,444
Health & Safety	*	93.575	CHST-7005	819
Initiative Project - Amador	*	93.575	CCIP-7004	15,000
Initiative Project - Calaveras	*	93.575	CCIP-7005	25,000
Exempt Care Outreach and Training	*	93.575	CECT-7004	15,753
Exempt Care Outreach and Training	*	93.575	CECT-7005	26,256
CCDF School Age Resource	*	93.575	CSCC-7024	2,000
Pre-Kindergarten Resource				
Instructional Materials	*	93.575	CIMS-7053	2,959
<u>Passed through Calaveras County</u>				
<u>Superintendent of Schools:</u>				
Local Planning Council	*	93.575	CLPC-7004	<u>78,675</u>
TOTAL, CFDA #93.575/93.596				<u>\$ 1,188,594</u>
<u>Passed through County of Amador:</u>				
CalWORKs Stage 1 Child Care	*	93.558	AB 1542	\$ 204,500

* denotes major program

HUMAN RESOURCES COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Passed through County of Calaveras:</u>			
CalWORKs Stage 1 Child Care	*	93.558	07-144
			<u>281,295</u>
TOTAL, CFDA #93.558			<u>\$ 485,795</u>
<u>Passed through State of California and Calaveras-Mariposa CAA:</u>			
Community Block Grant	93.569	07C-03	<u>\$ 35,285</u>
<u>Passed through CA Office of Emergency Services:</u>			
Calaveras Women's Crisis Center - Domestic Violence	93.671	DV07221175	<u>\$ 57,201</u>
<u>Office of Emergency Services:</u>			
Domestic Violence (VOCA)	16.575	DV07221175	\$ 93,131
Rape Victim Counseling Center (VOCA)	16.575	RC07191175	<u>109,672</u>
TOTAL, CDFA #16.575			<u>\$ 202,803</u>
<u>Federal Emergency Management Agency:</u>			
Emergency Food Shelter National Board Program	83.544	LRO#065600-002	<u>\$ 19,317</u>
Total Federal Expenditures			<u>\$ 5,044,501</u>

HUMAN RESOURCES COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED June 30, 2008

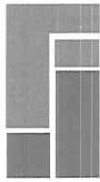
<u>State Grantor/Pass-Through Grantor/Program</u>	<u>Pass-Through Entity Identifying Number</u>	<u>State Expenditures</u>
State of California:		
<u>Department of Education, Child Development Services:</u>		
Alternative Payment - General	CAPP-7009	\$ 341,067
CalWORKs Stage 2 - General	C2AP-7008	\$ 547,982
Family Child Care Homes - General	CFCC-7001	\$ 189,021
CalWORKs Stage 3 - General	C3AP-7008	\$ 82,381
TOTAL		<u>\$ 1,160,451</u>
Resource and Referral		
Resource & Referral - General	CRRP-7005	\$ 143,535
Resource & Referral - General	CRRP-7006	\$ 143,535
TOTAL		<u>\$ 287,070</u>
Center-Based		
State Preschool	CPRE-6025	\$ 26,512
Full-Day Preschool	CFDP-6005	\$ 286,334
TOTAL		<u>\$ 312,846</u>
<u>Passed through Calaveras Co. Superintendent of Schools:</u>		
State Preschool	CPRE-5020	\$ 87,117
Staff Retention Training Program	CRET-5003	\$ 8,999
Local Planning Council	CLPC-7004	\$ 11,756
		<u>\$ 107,872</u>
<u>State Grantor/Pass-Through Grantor/Program</u>		
<u>Passed through Calaveras CARES:</u>		
Salary Retention		<u>\$ 34,254</u>

HUMAN RESOURCES COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED June 30, 2008

<u>State Grantor/Pass-Through Grantor/Program cont.</u>	<u>Pass-Through Entity Identifying Number</u>	<u>State Expenditures</u>
<u>Passed through Amador CARES:</u>		
Salary Retention		\$ 23,532
Salary Retention - AB 212		\$ 9,000
		<u>\$ 32,532</u>
<u>Department of Health Services:</u>		
Maternal and Child Health	05-45039	\$ 221,329
Maternal and Child Health RPE	05-45586	\$ 46,907
		<u>\$ 268,236</u>
<u>Department of Social Services</u>		
Emergency Food Assistance Program		<u>\$ 40,108</u>
<u>Passed through County of Calaveras:</u>		
Community Based Child Abuse Prevention Program		\$ 20,739
Promoting Sage Stable Families Program		\$ 11,938
Office of Child Abuse Prevention - CAPIT		\$ 34,041
TOTAL		<u>\$ 66,718</u>
<u>California First 5 Commission:</u>		
<u>Passed through First 5 Calaveras</u>		
First 5 Calaveras (Prop 10)		<u>\$ 77,222</u>
<u>Passed through First 5 Amador</u>		
First 5 Amador (Prop 10)		<u>\$ 47,044</u>

HUMAN RESOURCES COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED June 30, 2008

<u>State Grantor/Pass-Through Grantor/Program cont.</u>	<u>Pass-Through Entity Identifying Number</u>	<u>State Expenditures</u>
<u>Department of Housing & Community Development:</u>		
Emergency Housing & Assistance Program	06-EHAP-2409	\$ <u>10,026</u>
<u>Office of Emergency Services:</u>		
(State Match)		
Domestic Violence	DV07221175	\$ 32,118
Rape Victim Counseling Center	RC07191175	\$ <u>70,565</u>
		\$ <u>102,683</u>
<u>California Association of Food Banks</u>		
Nutrition Education & Outreach		\$ 30,132
Food Stamp Outreach		\$ <u>22,958</u>
		\$ <u>53,089</u>
TOTAL State Expenditures		\$ <u>2,600,152</u>
TOTAL Government Expenditures		\$ <u>7,644,653</u>



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Board of Directors
Human Resources Council, Inc.
San Andreas, California

We have audited the financial statements of Human Resources Council, Inc. (California Non-profit Corporation) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Human Resources Council, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

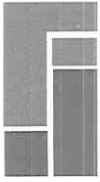
As part of obtaining reasonable assurance about whether Human Resources Council, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

October 27, 2008



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Human Resources Council, Inc.
San Andreas, California

Compliance

We have audited the compliance of Human Resources Council, Inc. (California Non-profit Organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Human Resources Council, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Human Resources Council, Inc.'s management. Our responsibility is to express an opinion on Human Resources Council, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Human Resources Council, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Human Resources Council, Inc.'s compliance with those requirements.

In our opinion, Human Resources Council, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of Human Resources Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Human Resources Council, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Human Resources Council, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

The report is intended solely for the information and use of the Board of Directors, management, others within the organization, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Handwritten signature of Arthur J. Johnson in black ink.

Certified Public Accountants

October 27, 2008

HUMAN RESOURCES COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report

Unqualified

Internal Control Over Financial Reporting

- Material Weakness(es) identified
- Reportable Condition(s) Identified that are Not Considered to be Material Weaknesses

☐ Yes ☒ No

☐ Yes ☒ No

Noncompliance Material to Financial Statements Noted

☐ Yes ☒ No

Federal Awards

Internal Control Over Major Programs:

- Material Weakness(es) identified
- Reportable Condition(s) Identified that are Not Considered to be Material Weaknesses

☐ Yes ☒ No

☐ Yes ☒ No

Type of Auditor’s Report Issued on
Compliance for Major Program

Unqualified

Any Audit Findings disclosed that are Required to be
Reported in Accordance with Section 510(a) of
Circular A-133

☐ Yes ☒ No

Identification of Major Program:

CFDA Number(s)

Name of Federal Program or Cluster

10.557

DHS - Women, Infants, and Children
Supplemental Nutrition Programs

93.575/93.596

HHS – Community Development Block Grant

93.558

HHS - CalWorks Stage 1 Child Care

93.600

HHS – Head Start

HUMAN RESOURCES COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Dollar Threshold Used to Distinguish Between
Type A and Type B Programs \$300,000

Auditee Qualified as Low-Risk Auditee

☒ Yes ☐ No

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

HUMAN RESOURCES COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008

There were no findings in the prior year audit.

HUMAN RESOURCES COUNCIL, INC.
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2008

None, since there were no findings.